

China TMK Battery Systems Reports Second Quarter 2010 Financial Results

PowerPulse.net

China TMK Battery Systems Inc. announced the company's financial results for the three month period ended June 30, 2010. For the second quarter of 2010, revenues increased 47.3% to \$16.8 million, from \$11.4 million in the second quarter of 2009. The increase was primarily due to rising demand for TMK's products, from both existing and new customers resulting from the Company's expanded sales and marketing efforts.

Total cost of sales increased \$4.8 million, or 56%, to \$13.4 million in the three months ended June 30, 2010 from \$8.6 million in the same period in 2009. The company's GAAP gross profit increased 21.2% to \$3.4 million in the three months ended June 30, 2010 compared to \$2.8 million in the second quarter of 2009, with gross margin of 20.2% and 24.5% in each respective period. Excluding \$0.7 million from a one-time expense related to employee incentive compensation, adjusted gross profit for the second quarter of 2010 and 2009, was \$4.1 million and \$2.8 million, respectively, with adjusted gross margin of 24.5% and 24.5% in each respective period.

Operating expenses for the second quarter of 2010 were approximately \$1.7 million in comparison to \$0.6 million in the second quarter of 2009. It is due to increase in selling expense and R&D investment as a result of revenue growth as well as welfare payments made in second quarter. Selling expenses were \$0.5 million, as compared to \$0.2 million in the respective periods. The increase was primarily due to an increase in sales compensation including sales commission as a percentage of sales revenue and marketing activities.

GAAP Net income for the company in the second quarter of 2010 was approximately \$2.3 million, an increase of \$0.5 million, or 28.9%, from \$1.8 million in the equivalent quarter last year. GAAP diluted earnings per share for the second quarter of 2010 was \$0.06 based on 36.5 million weighted average shares outstanding, as compared to diluted earnings per share of \$.07 for the second quarter of 2009, based on 25.3 million weighted average shares outstanding. Excluding non-cash items, adjusted net income for the second quarter of 2010 and 2009 was \$2.5 million and \$1.8 million, respectively, with corresponding adjusted earnings per share of \$0.07 and \$0.07 based on 36.6 million and 25.2 million diluted shares, respectively.

One of the major reasons that the company's costs of goods sold and operating expenses were higher as a percentage of revenue in this quarter was that the company paid a one-time cash bonus of approximately \$1.5 million in aggregate to over 300 employees in the second quarter of 2010. These employees are non-executives and have made positive contribution to the company's high growth. The

China TMK Battery Systems Reports Second Quarter 2010 Financial Results

Published on Electronic Component News (<http://www.ecnmag.com>)

company views its employees as one of its most important assets and took an extra measure to insure the continued valuable contributions of its skilled and trained employees. The company does not expect to compensate employees with cash incentives or bonuses in the foreseeable future. In accordance with GAAP, the compensation expense was allocated to costs of goods sold and operating expenses as appropriate. On an adjusted basis, the second quarter 2010 gross margin and operating expenses as a percentage of sales would have been comparable to the corresponding second quarter 2009 percentages.

"We continued our strong growth in the second quarter, with increasing demand for consumer products which utilize environmentally friendly rechargeable batteries, and our push into new end markets," stated Henian Wu, Chairman and President of the company. "The quarter marked a major milestone in our strategy to become a premier supplier of Nickel Metal Hydride (Ni-MH) based backup power systems by signing a 5-year exclusive distribution agreement with Nevada-based Alexis Power Supply, Inc. We have recently commenced the commercial production of proprietary, rechargeable Ni-MH 'intelligent battery' packs, which will be used as back-up power supply sources for multiple industrial applications including telecommunications, solar, railroad and traffic control systems. Our first shipment will land in October and Alexis will market and distribute our products in the US and internationally. We are currently doubling our production capacity to accommodate customer orders and to increase market share in 2010."

[SOURCE](#) [1]

Source URL (retrieved on 08/22/2014 - 8:16am):

<http://www.ecnmag.com/news/2010/08/china-tmk-battery-systems-reports-second-quarter-2010-financial-results>

Links:

[1] <http://www.powerpulse.net/story.php?src=r4;storyID=22753>